

City of Takoma Park

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Barbara B. Matthews, City Manager

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Honorable City Councilmembers:

I am pleased to present for your review and consideration the proposed budget for the City of Takoma Park for Fiscal Year (FY) 2010. The City's annual budget determines the manner in which services will be delivered to the community during the coming year, and its adoption is the most important action that the City Council takes each year.

The FY 2010 budget accounts for the City's financial activities through five primary funds or fiscal entities. They are the General Fund, the Stormwater Management Fund, the Special Revenue Funds (comprised of several sub-funds), the Community Center Fund, and the newly created Speed Camera Fund.

The General Fund accounts for the day-to-day operational activities of the City, such as police protection, snow removal, and general administration. The City is responsible for providing stormwater management services within its corporate boundaries; revenue and expenditure activities related to this function are tracked through the Stormwater Management Fund. The Special Revenue Fund is utilized to account for projects financed with grants, including those from federal, state, and county agencies. The Community Center Fund was established in FY 2003 to account for revenue and expenditure activity attributable to initial construction of the facility and subsequent phases. The Speed Camera Fund was established in FY 2009 to track financial transactions associated with the City's speed camera program, which went into effect on April 1, 2009.

In preparing the proposed budget, staff relied on the draft Strategic Plan for guidance. The Plan focuses on the three general policy areas, as described below:

Sustainability – Work in partnership with City residents, community organizations, non-profits, the business community, and other governmental agencies to ensure a Takoma Park that is financially, environmentally, and economically sustainable for the City and its residents.

Livable Community – Work in partnership with City residents, community organizations, non-profits, the business community, and other governmental agencies to build and maintain a livable community that is vibrant, healthy, and safe, with convenient transportation for all of its residents.

Engaged, Responsive, and Service-Oriented Government – Ensure the delivery of high quality City services by engaging City residents, community organizations, non-profits, the business community, and other governmental agencies to understand the community's needs; being responsive to those needs; and measuring progress at meeting those needs.

Consistent with the Council's desire to be a sustainable community, the proposed budget for FY 2010 was

crafted to ensure the City's continued financial stability. The budget is predicated on the following financial principles:

- Maintenance of adequate financial reserves to address timing differences in the City's receipt of monies and to avoid any disruption in services caused by a decline in a significant revenue source; and,
- Maintenance of Takoma Park's infrastructure and the City's vehicle and equipment fleet, both now and in the future; and,
- Use of reserve funds to fund only non-recurring initiatives or capital projects.

Given current economic conditions and the uncertainty surrounding the future of some revenue sources, departments were asked to submit essentially "status quo" budget requests. While the proposed budget for FY 2010 budget provides for a continuation of the high level of service historically provided by the City, it does not reflect a significant expansion of service in any operational area.

Major Budgetary and Financial Issues

Economic Climate

The City's budget and overall financial condition are affected by both regional and national economic conditions. The decline of the housing market in the region and the downturn in the overall economy have resulted in significant budget deficits for the State of Maryland and Montgomery County.

The financial difficulties of the State and the County will directly impact the City in several ways in FY 2010. The Federal Reserve's interest rate cuts have resulted in a significant decrease in the City's investment revenues. Receipts of Highway User Revenues will also be much lower compared to prior years. Funding for grant programs that the City has historically relied on to fund many community improvements is uncertain.

The downturn in the stock market has impacted the Police Employees' Retirement Plan. While the Plan's investment portfolio suffered less severe losses than its benchmarks, the value of the Plan's assets have declined considerably over the past year. Similar losses will likely impact the City's contribution rate to the State Retirement Plan in future years.

Property Assessments and Taxes

Real property in the State of Maryland is reassessed on a triennial basis. FY 2010 will be the third year of the phase in of assessed values established in 2006. According to the Maryland Department of Assessments and Taxation, the City's assessable real property base (net) is estimated to increase by approximately \$163.4 million or 9.8 percent from the prior year.

The State Homestead Property Tax Credit limits the increase in taxable assessments each year to ten percent for property owners that meet certain criteria. Technically, the Homestead Credit does not limit the market value of the property as determined by the Department of Assessments and Taxation but limits the increase on the amount to be taxed to no more than ten percent.

Recognizing that increasing assessments pose a hardship for property owners, the City Council has made a concerted effort in recent years to reduce the real property tax rate to lessen the impact. In FY 2006, the City Council reduced the real property tax rate from \$0.66 per \$100 of assessed valuation to \$0.63. The rate was lowered again in FY 2007 to \$0.61 per \$100 of assessed valuation and to \$0.605 in FY 2009.

As a local government in Maryland, Takoma Park has few options to generate revenues. Like other municipalities in the State, the City relies heavily on property taxes to fund its operations. The proposed budget for FY 2010 is predicated on the continuation of the \$0.605 rate. In FY 2010, tax receipts from real property are projected to account for about 53.6% of total General Fund revenues.

The recommended budget for FY 2010 provides \$160,000 for the City's local supplement to the State Homeowner Property Tax Credit Program. This program allows credits against the homeowner's property tax bill if the property taxes exceed a fixed percentage of the person's gross income. In other words, it sets a limit on the amount of property taxes any homeowner must pay based upon his/her income. Since September 2005, the City has provided a local supplement of 50% to provide tax relief to low- and moderate-income and other homeowners who qualify for the State credit. In recent years, about 165 households benefited from this tax relief.

All real property in Takoma Park will be reassessed next year, with the new values impacting the FY 2011 budget. It is unclear at this time how the decline in the regional housing market will impact Takoma Park. Should the City see a modest or no increase in assessed values, the City will face difficult choices relative to service delivery in the years to come. In FY 2010, the City Council may wish to undertake a community engagement process to discuss service delivery issues in the event that this comes to pass.

Tax Duplication

Tax duplication payments from Montgomery County constitute the second largest source of the City's operating revenues. Commonly referred to as "rebates," these payments are intended to compensate Takoma Park for taxes paid to Montgomery County for services provided by the City of Takoma Park.

The Tax and Service Duplication Issues (TASDI) Committee was appointed by the City Council in the fall of 2004 to review and to provide recommendations concerning the payments the City receives from Montgomery County. The TASDI Committee recommended that Takoma Park negotiate a more accurate and fair rebate from Montgomery County for services provided by the City.

Working in conjunction with other municipalities in Montgomery County, the City was successful in securing a commitment from County Executive Isiah Leggett to review the current methodology used to calculate municipal tax duplication payments. The work of the County/Municipal Revenue Sharing Task Force got underway in May 2007. The Task Force is expected to submit its final report later this year.

Pending completion of the Task Force's work, the County Executive's proposed budget holds all municipal tax duplication payments at the same level as the prior year. The City will receive approximately \$3.0 million in tax duplication payments, which equates to approximately 15% of General Fund revenues.

Major Facility Projects

The proposed FY 2010 budget includes continued funding for significant enhancements to two City facilities. They are the upgrade of the Council Chambers/Auditorium and the design and renovation of the Public Works facility.

During FY 2008, the City undertook a feasibility study to explore the possible renovation of the Council Chambers/Auditorium for use as both a venue for the performing arts and a meeting space for official City proceedings. The City Council approved a conceptual design during FY 2008, and an architectural firm was retained in FY 2009 to refine it and to develop construction documents. Construction is expected to get underway this spring, with completion of construction in late 2009. The project is being financed through a combination of federal and state funds and an anticipated contribution from Washington Adventist Hospital. Project costs are reflected in the Community Center Fund.

There are several policy issues associated with the use of the renovated space that warrant Council review in the near future. These issues include, but are not limited to, the hours of operation of the Community Center, rental rates for use of the Council Chambers/Auditorium, acceptance of admission fees for performances, and sale of merchandise.

The Public Works facility project is accounted for in the Capital Outlay section of the General Fund and will entail renovation of the existing facility to meet the current operational needs of the department. The current structure is a cinder block building that is poorly insulated and does not provide adequate storage to accommodate the current fleet. There are also problems with site drainage.

The renovation of the Public Works facility was expected to get underway in FY 2009. However, it was slowed down due to the downturn in the economy and the resulting impact on the bond market.

On April 6, 2009, staff will seek the Council's approval to retain an architectural firm to design the new Public Works facility. Architectural fees in the amount of \$257,000 for design and construction administration services will be paid for out of the General Fund. Pending completion of the design process, the City does not have a solid estimate of construction costs. For budgetary purposes, a projection of \$2.0 million has been assumed to be financed through the issuance of \$1.5 million in general obligation funds and the use of reserve monies in the amount of \$500,000. It is anticipated that the timing and structure of the issuance will provide for the first debt service payment to be made in FY 2011. To minimize interest costs, staff's preliminary recommendation is a ten-year issue. The annual debt service payment will depend on interest rates in effect at the time of the issuance and the term of the bond issue. Based on information provided by the State of Maryland Local Government Infrastructure Program, the associated annual debt service payment will likely be in the range of \$180,000.

Staffing and Personnel Costs

As a service industry, the majority of the City's operational costs are personnel-related. Staffing costs carry forward into future years; as wage rates and benefit costs increase, the impact on the City's operating budget is compounded over time. As a result, the City has been very cautious about adding new positions and has instead looked for ways to realign staffing as vacancies have occurred. The City's FTE count has remained relatively constant over the years.

As required by Resolution 2007-52, which set forth a policy regarding the usage of part-time staffing and contractual labor, I have evaluated the manner in which City services are provided. Given the operational requirements of the City, I do not believe that the City's utilization of non-benefited employees and contractual labor could be significantly reduced or eliminated in FY 2010.

In FY 2008, the City undertook a classification and compensation study. Slavin Management, the consultant retained by the City to conduct the study, presented its findings to the City Council on March 9, 2009. On average, the City's positions were found to be approximately three percent below market. Staff is scheduled to present revised pay ordinances to the Council in May 2009 in order to implement the recommendations of Slavin Management. FY 2010 would represent the first full year of implementation of the new system.

The City's compensation plan, approved by the Council and implemented in FY 2000, provides for a market adjustment to be implemented on July 1st of each year. The market adjustment is the annual percent of change in the Department of Labor Wage and Salaries Employment Cost Index for State and Local Government as of the end of December. The December 2008 index reflects an increase of 3.1%.

The proposed budget assumes an 11% increase in the cost of employee health insurance. Because savings were achieved in FY 2009 through the aggregation of several of the City's insurances, the impact of the anticipated increase is negligible from the prior year's budget.

The base contribution rate for the State Retirement Plan is expected to slightly decrease in FY 2010; the Plan covers civilian employees working 20 hours or more per week. Assuming no last minute change in the base contribution rate, the City's cost will be approximately \$49,000 less in FY 2010.

Worker's compensation insurance costs will increase by \$103,330 or about 45%. This significant rate of increase is largely attributable to one high cost claim.

In meeting with the various City departments during the preparation of this budget, it was clear that several of them would benefit from additional staffing. This is particularly true in the case of the Public Works Department, which needs more managerial and administrative resources to advance the Councils' environmental and sustainability priorities. Given the uncertainty of the economy and the compounding financial effect of increasing personnel, I approached the addition of staff in a cautious manner.

The hours of the Police Department Evidence Manager were adjusted mid-year in FY 2009 to address an increase in the volume of evidence being processed; this change resulted in an increase of 0.30 FTE. Additionally, the hours of the Recreation Coordinator for Senior Services were adjusted in FY 2009 by 0.25 FTE to provide a higher level of service.

For FY 2010, the Recreation Department has eliminated a full-time Recreation Coordinator position; it plans to utilize part-time staff in varying capacities to meet its programming needs. Part-time staffing hours increased in the budgets of Recreation and Communications in anticipation of the use of the renovated Auditorium. It is anticipated that the volume of transactions associated with the City's newly implemented speed camera program will require additional staffing resources in FY 2010; the proposed budget assumes 1.0 FTE being hired for this purpose.

The proposed budget does not include funding for an additional position in the Public Works Department in spite of the clear need for additional managerial and administrative support. I would like to request that this matter be reviewed mid-year, once additional information about the City's assessable base and other revenue sources is available.

Police Employees' Retirement Plan

The City of Takoma Park Police Employees' Retirement Plan covers sworn police officers who are employed on a regular full-time basis. Plan provisions include retirement, disability, and death benefits to plan members and their beneficiaries. Cost of living adjustments are provided annually as prescribed by the City Code.

Contributions to the Plan made by the City are based on an actuarially determined rate. Police officers contribute seven percent of salaries to the Plan. Administrative costs are financed through investment earnings.

Since its inception in 2001, the Plan has experienced a higher than expected rate of disability awards. The impact of these awards has resulted in a steadily increasing City contribution rate to the Plan.

On March 6, 2008, the Retirement Plan Committee recommended that the City Council adopt changes to the Plan's normal retirement benefit and line-of-duty disability benefit. The proposed Plan amendment has not been submitted to the City Council for its consideration to allow for the required discussion and negotiation with Local 400 of the United Food and Commercial Workers International Union, the bargaining unit that represents some sworn police officers.

In accordance with the contract between the City and Local 400, the parties have met many times over the past year to discuss how to provide retirement benefits to the City's sworn police personnel. Those discussions have focused on the modified version of the Plan endorsed by the Retirement Plan Committee and the State Law Enforcement Officer Plan System (LEOPS).

As of the date of this transmittal message, staff's discussions with Local 400 are continuing. While LEOPS offers enhanced benefits in some areas, the overall financial impact to the City will likely be higher than continuing the current plan, with the modifications recommended by the Retirement Plan Committee. This is due, in part, to the City's continued financial obligation to provide benefits to those who have retired, including the significant number of those who have left the City's employment for disability reasons. The current State contribution rate for LEOPS is also likely to increase as a result of investment performance over the past year.

In FY 2009, the City contributed 31%, which was more than the actuarially calculated rate, in order to help reduce the unfunded liability more quickly. The FY 2010 budget reflects a contribution rate of 34.70% as established by the July 1, 2008 actuarial valuation. The financial impact of the higher rate is projected to be approximately \$131,000.

Bridge Repairs

Within the City of Takoma Park there are two road bridges over Sligo Creek. One bridge is on Maple Avenue, and the other is on Flower Avenue.

Under the current arrangement between the County and municipalities, Takoma Park is responsible for the two bridges within its boundaries. The current tax duplication formula for road maintenance provides minimal funding (several thousand dollars in the most recent calculation) to address routine maintenance such as painting.

Montgomery County inspects each bridge in the County on a biannual basis. As the ranking of bridges falls, the bridges that Montgomery County is responsible for are placed on the Capital Improvement Program (CIP), anticipating the need for repair or replacement. A bridge must have a Bridge Sufficiency Rating (BSR) equal to or less than 80 to be eligible for federal funds for major rehabilitation and equal to or less than 50 to be eligible for federal funds for total replacement. It has been determined through the County bridge inspection process that both of the bridges in Takoma Park have low BSRs and should eventually be repaired or replaced.

Based on the most recent bridge inspections, the City Engineer has identified approximately \$335,000 in maintenance repairs that are needed at this time. County Councilmembers Valerie Ervin and Marc Elrich have proposed to their colleagues that the County provide matching funds of up to 50% of the total repair cost, with funding for the Maple Avenue Bridge as the highest priority. The FY 2010 budget assumes that the County provides matching funds in the amount of \$168,000.

It should be noted that the City is pursuing federal funding associated with the American Recovery and Reinvestment Act of 2009 for the maintenance repairs needed at this time. Should the City be successful in this effort, then neither City nor County funding may be required.

Equipment Replacement Reserve

In accordance with the City Charter, certain monies are set aside for the scheduled replacement of vehicles and equipment. These funds are accounted for in the Equipment Replacement Reserve.

On an annual basis, staff conducts a thorough analysis of all of the City's fixed assets over \$5,000 to identify those items to be funded out of the Equipment Replacement Reserve. The most recent analysis indicates that the City should ideally be contributing approximately \$1.5 million to the Equipment Replacement Reserve on an annual basis. The high contribution amount is partially attributable to inadequate funding of the Equipment Replacement Reserve in prior years and the increase in the police fleet due to the expansion of the City's take-home car program.

During my tenure as City Manager, a concerted effort has been made in recent years to identify those items to be funded out of the Equipment Replacement Reserve and to make an appropriate contribution to it on an annual basis. The proposed budget for FY 2010 recommends a contribution of \$750,000, an increase of \$250,000 from the prior year. While this amount is below the ideal funding level, I believe it strikes an appropriate balance given other City needs and fiscal constraints.

Budget Overview

As noted earlier in this transmittal message, the proposed budget for FY 2010 accounts for the City's financial activities through five primary funds or fiscal entities. They are the General Fund, the Stormwater Management Fund, the Special Revenue Funds (comprised of several sub-funds), the Community Center Fund, and the Speed Camera Fund.

Combined expenditures for all funds for FY 2010 equal \$28,309,748. Combined revenues for all funds total \$26,956,084. The variance between expenditures and revenues is made up by the use of fund balance, including monies set aside in the Equipment Replacement Reserve and cable equipment capital grant funds, and the receipt of \$1.5 million in bond proceeds for the Public Works facility renovation.

The following table summarizes proposed expenditures for FY 2010 by fund. Budgeted and estimated expenditures for FY 2009 are provided for comparative purposes.

Fund	Budgeted FY 2009	Estimated FY 2009	Proposed FY 2010
General	\$21,289,771	\$19,517,337	\$23,111,398
Stormwater Management	405,651	547,510	357,428
Special Revenue	1,795,984	1,284,723	1,471,422
Community Center	1,200,000	361,000	1,085,000
Speed Camera	0	619,375	2,284,500
Total Expenditures	\$24,691,406	\$22,329,945	\$28,309,748

The variance between FY 2009 and FY 2010 expenditures is primarily attributable to increased personnel costs, the design and renovation of the Public Works facility, and the renovation of the Council Chambers/Auditorium. Further detail on each fund is provided below.

General Fund

The majority of City spending is accounted for in the General Fund. Departmental activities reflected in General Fund expenditures include the following:

- General Government
- Police
- Public Works
- Recreation
- Housing and Community Development
- Communications
- Library

In addition to the aforementioned operational activities of the City, the General Fund also provides for certain expenditures that are not related to a particular department. These costs, classified as "non-departmental" for budgetary purposes, include general liability and other insurance coverage and the City's local supplement to the State Homeowner's Property Tax Credit.

The General Fund provides for principal and interest payments on the City's outstanding debt obligations.

These obligations, which were incurred as a result of long or short-term borrowing or lease financing, are accounted for in the debt service division of the General Fund.

The majority of the City's capital expenditures are recorded in the General Fund. These expenditures include the purchase of vehicles and equipment and the cost of infrastructure projects, such as street improvements. Grant-funded and Community Center related projects are accounted for in the Special Revenue Funds and Community Center Fund, respectively. In FY 2010, certain capital expenditures will be paid for out of the Speed Camera Fund.

General Fund Revenues

The following table summarizes projected General Fund revenues for FY 2010 by source. Budgeted and estimated revenues for FY 2009 are provided for comparative purposes.

Revenue Source	Budgeted FY 2009	Estimated FY 2009	Proposed FY 2010
Taxes and utility fees	\$13,180,290	\$13,391,521	\$14,473,092
Licenses and permits	58,954	64,104	61,854
Fines and forfeitures	231,500	178,000	182,658
Use of money and property	330,000	195,000	190,000
Charges for service	887,180	988,205	774,164
Intergovernmental	4,680,404	4,802,044	4,878,176
Miscellaneous	102,885	84,896	52,000
Total Revenues	\$19,471,213	\$19,703,770	\$20,611,944

As mentioned earlier in this transmittal message, Takoma Park relies heavily on property taxes to fund its operations. Tax receipts from real property make up approximately 54% of projected FY 2010 General Fund revenues.

Income taxes are another major source of operating revenues for the City. In accordance with Maryland law, municipalities within Montgomery County receive 17 percent of County income tax collected within the municipality. For the past few years, the City has experienced steady growth in revenues from this source. Minimal growth was anticipated in FY 2009 as result of the General Assembly's approval of an increase in the income tax personal exemption, decreasing taxable income on which local income taxes are based. Notwithstanding the increased exemption, the City's income tax receipts are projected to equal those received in FY 2008. Because of the downturn in the economy, no growth in income taxes has been projected for FY 2010. This source is anticipated to provide \$2.4 million, which equates to 11.6% of total General Fund revenues.

Investment revenues, referred to above as use of money and property, have been adjusted in light of lower interest rates. Speed camera revenues, accounted for in FY 2009 under fines and forfeitures, are now reflected in the newly created Speed Camera Fund. Miscellaneous receipts are lower due to the closure of the temporary day laborer site and termination of the associated County subsidy; additionally, the City received a one-time payment of approximately \$30,000 in FY 2009 when it contracted with a new copier vendor.

General Fund Expenditures

The proposed budget includes General Fund expenditures in the approximate amount of \$23.1 million. The following table summarizes proposed expenditures for FY 2010 by department or budget unit. Budgeted and estimated expenditures for FY 2009 are provided for comparative purposes.

Department/ Budget Unit	Budgeted FY 2009	Estimated FY 2009	Proposed FY 2010
General Government	\$ 2,466,239	\$ 2,281,107	\$ 2,532,288
Police	5,757,575	5,550,096	6,137,802
Public Works	3,977,590	3,742,475	4,079,013
Recreation	1,342,068	1,149,815	1,443,593
Housing & Community Development	1,561,011	1,342,596	1,396,423
Communications	429,047	394,643	436,842
Library	982,220	955,448	1,012,841
Non-Departmental	1,826,027	1,457,786	2,137,485
Capital Outlay	1,943,578	1,653,955	3,045,443
Debt Service	1,004,416	989,416	889,668
Total Expenditures	\$21,289,771	\$19,517,337	\$23,111,398

Proposed fund expenditures are up by approximately \$1.82 million compared to budgeted expenditures for FY 2009. The components of the variance are described in more detail below.

- Personnel costs are up by \$873,389, an increase of 7.0%. As mentioned earlier in this transmittal message, the anticipated cost of worker's compensation insurance will be \$103,330 higher in FY 2010, accounting for 12% of the rise in personnel costs. About 15% of the variance in personnel costs is attributable to increased costs for the Police Employees' Retirement Plan, resulting from the increased contribution rate and higher employee salaries.
- Supplies are down by \$40,555. The primary reason for the decrease is lower costs for clothing in the Police Department. In FY 2009, the department transitioned to a new style of uniform and outfitted each employee with a certain number of clothing articles. As a result, higher costs were reflected in the supplies category rather than personnel costs. In FY 2010, the department will be providing clothing allowances, resulting in lower costs in the supply line item.
- Services and charges will decrease by \$138,581 for several reasons. In FY 2009, funding was included in the Police Department operating budget for the Safe Takoma initiative. The cost of the City's contract with Montgomery County for the inspection of rental properties will be less in FY 2010. Additionally, the City will not be providing funding for the temporary day laborer site as it has in prior years; a permanent facility opened in Prince George's County in late 2008. Reduced funding for the Crossroads Farmer's Market as well as lower contractual costs in other areas also played a role.
- Miscellaneous expenditures are down by \$287,616. A significant amount of funding was included in the FY 2009 budget for unspecified affordable housing initiatives. In light of the significant contribution that the City Council has made to the preservation of affordable housing over the years through the approval of Payment in Lieu of Taxes (PILOT) agreements, a lesser amount has been allocated in the Housing and Community Development Department in FY 2010. Debt service payments have decreased by \$114,748; the variance is primarily attributable to the payoff of the Pinecrest infrastructure loan and lower debt service costs for police radio equipment. Grant funding for certain organizations and projects—Historic Takoma, the Mosaic Project, and the Community Indicators Project—did not carry forward into FY 2010.
- Capital costs will increase by \$1,101,865. The primary cause of the variance is the funding allocated for the renovation of the Public Works facility.
- The contribution to the Equipment Replacement Reserve will increase by \$250,000.

- The amount of the unappropriated reserve is up by \$63,125.

Certain General Fund projects/initiatives that I would like to call to your attention are described below:

- In keeping with the Council's sustainability goal, additional funding in the amount of \$15,000 has been included in the Public Works operating budget to increase the City's purchase of wind power from 25% to 50%.
- Funding in the amount of \$50,000 is included in the Housing and Community Development Department budget for the preservation and creation of affordable housing.
- The Housing and Community Development Department budget includes \$30,000 to support the work of Main Street Takoma and \$10,000 to advance the progress of the Crossroads Farmer's Market.
- Funding in the amount of \$40,000 is included in the General Government budget for continuation of the Resident Survey process, which was first undertaken in FY 2008.
- The Non-Departmental budgetary unit includes \$20,000 for the Small Community Grant Program. The City Council established the program to work in partnership with the community to help achieve the prioritized goals set forth in the Strategic Plan.

General Fund Fund Balance

Fund balance represents the accumulation of the difference between actual revenues and expenditures. The source and timing of revenues, as well as the stability of revenue sources, dictate the level of fund balance necessary to avoid cash shortages in normal day-to-day operations.

The General Fund is anticipated to begin FY 2010 with a fund balance of \$8.05 million. Approximately 23% of this amount is set aside for specific purposes and is not available for general operations of the City. These purposes include the Equipment Replacement Reserve, the Emergency Reserve, and monies received from WSSC for future street work.

The proposed budget for FY 2010 contemplates the expenditure of approximately \$1.24 million in fund balance monies. About 34% of this amount (\$431,324) represents the anticipated expenditure of Equipment Replacement Reserve funds. An operating transfer in the amount of \$240,892 will be made from the General Fund to the Special Revenue Funds. The balance of fund balance monies will be used for non-recurring expenditures, including \$757,000 towards the design and renovation of the Public Works facility.

As of June 30, 2010, the General Fund is projected to have a fund balance of \$6.80 million. Included in this amount are the monies designated for the Equipment Replacement Reserve and the Emergency Reserve, as well as funds received from WSSC for future street work. Combined, these restricted funds are projected to total approximately 32 percent of the year-end total General Fund fund balance.

In accordance with the Charter of the City of Takoma Park, the FY 2010 budget includes two contingency accounts. Combined, these accounts equal 2.5 percent of budgeted revenues and are budgeted in the non-departmental unit of the General Fund. For the purpose of projecting the fund balance as of June 30, 2010, I have assumed expenditure of the full amount of the contingency accounts during the fiscal year. If no contingency monies are expended, the projected fund balance would increase by approximately \$515,299.

Stormwater Management Fund

The City is responsible for providing stormwater management services within its corporate boundaries.

These services, which are directed by the Public Works Department, include the construction and the maintenance and repair of storm drains, inlets, channels, and ditches. Additionally, the City ensures compliance with state and federal requirements for erosion and pollution control associated with stormwater run-off. Revenue and expenditure activities related to these functions are accounted for in the Stormwater Management Fund.

Almost all fund revenues are derived from stormwater management fees paid by property owners in the City. Other Stormwater Management Fund revenues are derived from permit fees, late fees, interest charges, and investment earnings.

All property owners in the City pay a fee that is based on the amount of impervious surface on the property. Each single-family residential dwelling unit is billed at a flat rate equal to the average amount of impervious surface on a single-family lot (1,228 square feet). The proposed budget for FY 2010 assumes no change in the base rate of \$48, which was implemented in FY 2007.

The budget reflects total Stormwater Management Fund expenditures of \$357,428. Of this amount, \$100,000 is allocated for capital projects. Fund expenditures also include 50 percent of the personnel cost of the City Engineer, who directs the City's stormwater management activities, and 25 percent of the cost of an administrative employee.

Special Revenue Funds

The City has historically pursued federal, state, and county grants to advance community priorities while keeping taxes as low as possible. Over the years, these grants have provided funding for a variety of purposes, including law enforcement, community revitalization, park development, and infrastructure improvements. The City utilizes Special Revenue Funds to account for revenue and expenditure activity attributable to the specific project funded by each grant.

In FY 2010, the City will receive funding from a variety of entities, including the Governor's Office of Crime Control and Prevention, the Community Development Block Grant Program, and the State Highway Administration. The proposed budget for FY 2010 reflects total Special Revenue Funds expenditures of \$1,471,422. Projects to be funded with grant monies during the fiscal year include the following:

- Collaborative Supervision and Focused Enforcement (CSAFE) Program in the Takoma/Langley Crossroads
- Educational programming to enhance the safety of children coming to and from school
- Purchase of audio-visual equipment as part of the renovation of the Council Chambers/Auditorium
- Provision of gap financing for the acquisition, demolition, renovation, or construction of affordable housing
- Various efforts to enhance the appearance and functionality of the New Hampshire Avenue corridor
- Streetscape improvements on Maple Avenue, from Philadelphia Avenue to Sligo Creek Parkway.

As noted earlier in this transmittal message, it is anticipated that Montgomery County will provide a grant to fund some of the cost of the maintenance repairs to the Flower Avenue Bridge and the Maple Avenue Bridge. The assumed amount of the grant is \$168,000.

An operating transfer in the amount of \$240,892 from the General Fund to the Special Revenue Funds will be made to supplement the grant funds that the City will receive. Of this amount, \$20,000 represents the re-

quired 25% matching contribution for Program Open Space monies. The City's share of the maintenance repairs to its two bridges accounts for \$167,826. The remainder will supplement Community Legacy funds and pay for bank charges.

Fund revenues will exceed expenditures by approximately \$49,610. The difference between revenues and expenditures is due to the receipt of more cable grant monies than will be expended in FY 2010.

Community Center Fund

The Community Center Fund was established in FY 2003 to account for revenue and expenditure activity attributable to construction of the facility. Prior to its establishment, expenditures were accounted for in the Special Revenue Funds.

In the spring of 2009, renovation of the Council Chambers/Auditorium will get underway, with construction continuing into FY 2010. The balance of the project is anticipated to be \$1.085 million. As noted earlier in this transmittal message, the project will be financed through a combination of federal and state funds and an anticipated contribution in the amount of \$150,000 from Washington Adventist Hospital.

Speed Camera Fund

The Speed Camera Fund was established in FY 2009 to account for financial transactions related to the City's speed camera program. The goal of the program is to reduce speeding in an effort to prevent accidents and reduce injuries and fatalities.

In FY 2009, two cameras were installed on New Hampshire Avenue. Two cameras were also installed in the 500 block of Ethan Allen Avenue.

By State law, program revenues are restricted and cannot be used to fund general City operations. They may be used for purposes that improve public safety.

The City's speed camera program went into effort on April 1, 2009. In accordance with the goal of the program, it is anticipated that the number of violations noted during the testing and warning period will decline once fines are imposed. In FY 2010, it is anticipated that 7,500 citations will be paid per month, generating gross revenues of approximately \$3.6 million.

Because of the uncertainty surrounding program revenues, I have taken a conservative approach in projecting fund expenditures for FY 2010. An initial fund budget of \$2.28 million is proposed. Fund expenditures will include the contractually required payment to ACS State and Local Solutions, Inc., the firm that the City retained for installation of the speed cameras. Funding in the amount of \$500,000 is allocated for the design and installation of sidewalks. Neighborhood traffic calming projects are budgeted at \$100,000. Other fund expenditures will include 1.0 FTE for program staffing, an anticipated contractual payment in the amount of \$30,000 to Montgomery County for its staffing costs associated with the speed camera program, and \$100,000 for unidentified capital projects.

It should be noted that there have been recent attempts at the State level to further restrict or take away altogether speed camera revenues. Staff is continuing to monitor these developments as the legislative session draws to a close.

Acknowledgements

The preparation of the proposed budget is a significant undertaking by the Management Team and other staff members. It is truly a team effort, and I wish to take this opportunity to express my appreciation to all who played a role in the development of this budget. I would like to particularly acknowledge the contribution of

Director of Finance Yovonda Brooks, Human Resources Manager Karen Hampton, Budget/Financial Specialist Miranda Shephard, Office Assistant Marisol Oquendo, and Executive Assistant Peggie Washington.

The staff and I look forward to working with the City Council to finalize a budget for FY 2010 that meets the expectations of the Takoma Park community.

Sincerely,



Barbara B. Matthews
City Manager

FY 2010 Budget at a Glance

- Total revenues (all funds) of \$26,956,084.
- Total expenditures (all funds) of \$28,309,748.
- Total General Fund revenues of \$20,611,944.
- Total General Fund expenditures of \$23,111,398.
- Assessable real property base (net) projected to increase by approximately \$163.4 million or 9.8 percent from FY09.
- Continuation of real property tax rate of \$0.605 per \$100 of assessed valuation. Real property tax revenues increase by \$1,070,808 compared to FY09 budgeted revenues.
- Tax duplication payments unchanged from FY09 level. Joint County-Municipal Task Force in the process of reviewing the current methodology used to calculate municipal tax duplication payments. Find report in the process of being drafted.
- Addition of 1.0 FTE for Speed Camera Fund. Elimination of full-time position in Recreation Department; will utilize part-time staffing to meet programming needs. Additional part-time hours in Recreation and Communications associated with Auditorium renovation.
- Increase in worker's compensation insurance cost of \$103,330.
- Increased cost for Police Employees' Retirement Plan due to higher actuarial contribution rate and employee salaries. Financial impact of approximately \$131,000.
- Funding in the amount of \$2.26 million for design and renovation of the Public Works facility. Of this amount, \$1.5 million is to be financed through the issuance of general obligation bonds. First debt service payment to be made in FY11.
- Funding in the amount of \$1.085 million for the renovation of the Auditorium. Project to be financed through a combination of federal and state funds and an anticipated contribution from Washington Adventist Hospital.
- Contribution of \$750,000 to the Equipment Replacement Reserve.
- Anticipated expenditures of \$168,358 for street improvements.
- Projected expenditure of \$335,826 for maintenance repairs to the two bridges within the City limits. Anticipated grant of \$168,000 from Montgomery County.
- Additional funding to increase City's purchase of wind power from 25 to 50 percent.
- Continued financial support for Main Street Takoma and the Crossroads Farmer's Market.
- Funding to conduct second survey of City residents.
- Allocation of \$20,000 for the Small Community Grant Program.
- Expenditures of \$357,428 for the construction, maintenance and repair of storm drains, inlets, channels, and ditches.
- Various grant-funded projects in the amount of \$1,471,422 accounted for in the Special Revenue Funds.
- Anticipated expenditure of \$2,284,500 from speed camera revenues. Expenditures include payment to program contractor, sidewalk design and installation, installation of neighborhood traffic calming measures, and program staffing.